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## Canada

### Agricultural Situation

## U.S./Canada Cross Border Investment in Agriculture 2002

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**Report Highlights:** The following paper lists U.S. agri-food companies with significant investments in Canada as well as Canadian agri-food companies with investments in the United States. The total stock of US foreign direct investment (FDI) in Canada was \$126.4 billion in 2000, representing over 72% of total FDI in Canada, and is concentrated in manufacturing, finance and natural resources. The stock of Canadian FDI in the US was US\$103.7 billion, amounting to 52% of total Canadian direct investment abroad.

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## **U.S. AND CANADIAN CROSS-BORDER INVESTMENT IN AGRICULTURE AND AGRI-FOOD**

The following paper lists U.S. agri-food companies with significant investments in Canada as well as Canadian agri-food companies with investments in the United States. The Canadian Wheat Board (CWB), with its "unique governance structure" is listed at the end of the report. It is of interest to note that the CWB depends heavily on U.S. agri-business to conduct its export activity on behalf of western Canadian farmers.

### **GENERAL:**

The total stock of US foreign direct investment (FDI) in Canada was \$126.4 billion in 2000, representing over 72% of total FDI in Canada, and is concentrated in manufacturing, finance and natural resources. The stock of Canadian FDI in the US in 2000, including investments from Canadian holding companies in the Netherlands, was US\$103.7 billion, amounting to 52% of total Canadian direct investment abroad. Most is in finance and insurance, metallic minerals and metal products, communications, and chemical products. On a per capita basis, Canadian FDI in the US is much larger than US FDI in Canada because Canada has only 1/10th the population of the United States.

### **U.S. INVESTMENT IN CANADIAN AGRICULTURE AND AGRI-FOOD:**

**Cargill Limited** is the Canadian subsidiary of Cargill Incorporated. Cargill has nearly 4,000 Canadian employees. The company's businesses in Canada include: grain handling and merchandising, crop inputs marketing and manufacturing, and agricultural processing. It produces meat, canola oil, malting barley, feed, seed, and flax fibre. In 1988, the company purchased Maple Leaf Mills grain division and acquired the retail fertilizer distribution network of Cyanamid Canada. In 1989, Cargill built a C\$60 million beef processing plant in High River, Alberta. In 1990, the company and the Saskatchewan Government jointly constructed Saskferco Products Inc., the world's largest nitrogen fertilizer manufacturing plant. The company has three inland grain terminals which operate as Alberta Terminals. In 1992, it acquired Trillium Meats in Ontario to pioneer the production of counter ready meats in North America. In 1996, it constructed Canada's largest canola crushing plant in Saskatchewan. It recently expanded its Alberta beef plant operations bringing total employee numbers to 1,850 and its processing capabilities to 3,600 head per day. It owns a 51% interest in Prairie Malt, one of the world's premiere malting companies and owns 50% of the Vancouver grain export terminal owned by Alberta Wheat Pool. In February 2002, the company announced an investment of \$C45 million in a meat processing plant in Chambly, Quebec.

**IBP** is the world's largest producer of fresh beef, pork and related products and a supplier of fully prepared meats for the retail and foodservice industries. The company, which has 60 production sites in North America, acquired Canada's Lakeside Farm Industries in 1994 which marked the first time IBP owned operations outside the United States. The Alberta agribusiness is a wholly owned subsidiary of IBP, and includes a fertilizer business, a cattle feedlot and a carcass beef

plant at Brooks, which later expanded to include two shifts of boxed beef processing. Together, the Cargill High River beef processing plant and the IBP Brooks plant account for about 60% of total Canadian beef processing capacity.

**Smithfield Foods, Inc.**, the largest hog producer and pork processor in the world, recently acquired Schneider Corporation, one of Canada's largest processed meat, fresh pork, poultry and grocery products producers with manufacturing facilities in four provinces. Schneider Corporation employs more than 3,800 people with annual sales close to C\$1.0 billion. Smithfield is also part owner of Mitchell's Gourmet Foods, Canada's third largest value-added processor of pork and pork products. The company markets and sells its products under the Mitchell's Gourmet Foods and Olympic labels, as well as various private labels, to more than 8,000 wholesale and retail customers across Canada and in the United States.

**Kraft Canada Inc.**, a subsidiary of Kraft Foods North America, Inc. of Northfield Illinois, is Canada's leading manufacturer and marketer of food and beverage products. Kraft Canada produces more than 45 leading brands many of which hold the number one position in Canada in their category. Kraft and Kraft-owned Nabisco brands are found in more than 95% of all Canadian households. Canadian operating revenues are included in the statements for the company's North American operations which reached \$34 billion in 2001.

**ConAgra** : Publicly traded ConAgra is North America's largest foodservice manufacturer and marketer and the largest retail food supplier. ConAgra's holdings in Canada include: 1) ConAgra Grain, operating four high volume inland terminals in Saskatchewan and Manitoba which provide direct access to the company's food processing network of flour mills, malt plants, oat mills, barley mills, and prepared food facilities. ConAgra is the Canadian Wheat Board's number one exporter of Canadian wheat; 2) ConAgra Malt and; 3) LambWeston, operating one of western Canada's largest and most modern potato processing facilities. The company boasts 35 famous food brands, many of which are household names for Canadian consumers.

**Archer Daniels Midland**, is a leader in global agriculture which procures, transports, stores, processes and markets a wide range of agricultural products in Canada. It is one of the world's largest processors of oilseeds, corn, wheat and cocoa with more than 350 plants worldwide, 23,000 employees on six continents and annual net sales of over \$18 billion. In Canada, ADM's alliance with United Grain Growers (newly merged Agricore United) has enhanced the efficiency of its Canadian processing facilities. United Grain Growers' operations include grain merchandising services, crop input marketing and distribution, livestock production services, and farm business communications.

**Monsanto**, a wholly owned subsidiary of Pharmacia, is a leading provider of agricultural solutions to growers worldwide. In Canada, Monsanto has its head office located in Mississauga, Ontario with a manufacturing facility in Morden, Manitoba, and research, distribution and sales offices across the country. The Agricultural Sector, headquartered in Winnipeg, Manitoba, is one of the largest suppliers in Canada of crop-protection products for cereal grains, row crops and forestry management. Agricultural biotechnology is playing an increasingly important role in the business. In Canada, approval has been granted for such products as Roundup Ready canola and

soybeans, NatureMark NewLeaf potatoes and YieldGard corn. Monsanto Canada opened research farms in 1991 in Saskatoon, Saskatchewan and Lethbridge, Alberta.

**Pioneer Hi-Bred Ltd.**, Pioneer Hi-Bred Limited (Sales, Administration) is a wholly-owned Canadian subsidiary of Pioneer Hi-Bred International, Inc., of Des Moines, Iowa, which was founded in 1926 and is now the world's leading agricultural genetics company operating in more than 120 countries worldwide. Pioneer produces, markets and sells hybrid seed corn in nearly 70 countries worldwide. The company also markets and sells hybrids or improved varieties of sorghum, sunflower, soybean, alfalfa, canola and wheat, as well as forage and grain additives. Business activities in Canada include seed and microbial product research, production, marketing and sales.

**Heinz Canada** was established in 1909 and is a wholly owned subsidiary of H.J. Heinz Company of Pittsburgh, PA. In Canada, it is a leading provider of baby food, ketchup, beans and pasta, and other food products such as tomato juice. Among the company's famous food brands are Heinz, Bagel Bites, Pablum, 9-Lives, Kibbles 'n bits, Pounce, and Techni-Cal. Headquartered in Toronto, Heinz Canada employs 2,000 individuals at its sales offices and manufacturing facilities across Canada. Its major processing plant is located at Leamington, Ontario. In the 1990s, it acquired Olmstead Foods, Wheatley, Ontario, which manufactures coated appetizers, fish, frozen vegetables and fruit, and Martin Pet Foods, Elmira, Ontario. Heinz brands are household names in Canada.

**The Campbell Soup Company Ltd.**, operates two production facilities in Canada: the Toronto plant manufactures canned soups and the Listowel (Ontario) plant manufactures frozen and speciality products. Campbell Soup's Canadian operations are one part of its international presence. In 2001, the company reported that its combined international net sales accounted for 25% of total worldwide net sales of \$7 billion. Campbell Soup products have been a part of Canadians' lives for generations. Virtually all the common brand names of its American products are sold in Canada. The company is a strong supporter of local non-profit and charitable organizations and is one of the largest contributors to Food Banks across Canada.

**Weyerhaeuser**, headquartered in Federal Way, Washington, made its first Canadian investment in 1965 and today is Canada's largest forest products company. Weyerhaeuser is the top forest products exporter in the United States. Of its worldwide workforce of over 47,000, more than 11,000 work in Canada at one of over 50 mills or company offices and research centers. The company harvests timber from 32.3 million acres in Canada, mostly leased public land, compared to 5.7 million acres of U.S. timberland. The company is the world's largest producer of softwood lumber, engineered wood products and hardwood lumber and the world's second-largest producer of structural panels.

## **CANADIAN INVESTMENT IN U.S. AGRICULTURE AND AGRIFOOD:**

**George Weston Limited** is a broadly based Canadian food company founded in 1882. In 2000, it ranked 8<sup>th</sup> in total annual revenue among Canadian corporations and operates under two distinct business segments; Food Processing, which encompasses fresh and frozen bakeries,

biscuit and dairy operations, as well as fish processing and; Food Distribution, operated by Loblaw Companies Limited, the largest food distributor in Canada. Annual sales exceed C\$22 billion. U.S. sales account for about 5-7% of total but are set to increase after the acquisition in 2001 of Bestfoods Baking Company in the United States, from Unilever at a price of C2.7 billion (\$1.8 billion). The company recently announced its intention to divest its dairy and fish processing operations in order to focus its Food Processing segment on the baked goods industry.

**McCain Foods Limited**, with international headquarters in Florenceville, New Brunswick, Canada, has annual sales of more than C\$5 billion (\$3.2 billion) and manufacturing operations in 13 countries on five continents. The company is one of the world's largest manufacturers of frozen french fries, with plants in Canada and the United States. McCain Foods USA is a major U.S. manufacturer of frozen french fries, pizzas and appetizers. In August 2001, McCain Foods acquired Anchor Food Products Inc.'s \$503 million food service business, its main production facility and headquarters in Appleton, Wis., and its plants in Pecos, Tex., and Cuauhtémoc, Mexico. The Anchor acquisition makes McCain Foods a major food service supplier of frozen appetizers in the U.S. market.

**Maple Leaf Foods Inc.** is a leading, global food processing company based in Toronto, with annual sales approaching C\$5 billion (\$3.2 billion). It employs more than 14,500 at operations across Canada, the United States, Europe and Asia. Its pork division is the largest processor of hogs in Ontario and Western Canada. Its bakery division operates Canada Bread and Maple Leaf Bakery in the United States, a leading producer and marketer of frozen baked hearth and crusty bread, bagels and specialty bakery products and recently expanded its Roanoke, Virginia operations. Its international division markets, distributes and trades food products, primarily protein and grain products, globally, with particular strength in the Pacific Rim. Maple Leaf Foods International has offices in Canada, U.S., England, Germany, Japan, Hong Kong and Korea. The company owns Shur-Gain, the largest producer and marketer of livestock and poultry feed in Canada. Its Landmark Group operates the largest animal feed and nutrition company in Western Canada, and the largest swine production organization in Western Canada.

**Potash Corp** is a fertilizer enterprise headquartered in Saskatoon producing the three primary nutrients: nitrogen, phosphate and, potash. It ranks among Canada's top fifty corporate revenue earners. The company has production assets in Canada, the United States, the Caribbean and Latin America. U.S. operations include a vertically integrated phosphate mine and processing plant in North Carolina, a phosphate mine and two processing plant complexes in Florida, a processing plant complex in Louisiana, four domestic nitrogen plants located in Georgia, Louisiana, Ohio and Tennessee. The company owns or leases in excess of 130 terminal and warehouse facilities strategically located in Canada and the United States, and services customers with a fleet of approximately 5,000 rail cars. Consolidate sales in 2001 were \$3.4 billion with U.S. operations contributing more than half of total revenues.

**CANFOR Corp.** is a large integrated forest products company based in Vancouver, British Columbia. The company is one of the largest producers of softwood lumber and market pulp in

Canada and ranked 96<sup>th</sup> on the list of top corporate revenue producers. It has facilities in British Columbia, northern Alberta and the northwestern United States. Canfor operates 11 sawmills in B.C. and 2 in Alberta with annual production of 2.7 billion feet of lumber. The company's U.S. subsidiary, Canfor U.S.A., operates a lumber remanufacturing facility with a capacity of 100 million board feet. Canfor's forest operations in Canada are located almost entirely on public lands.

**Saputo Inc.** is the largest dairy processor in Canada and one of the leading cheese producers in North America. In March 2002, it acquired the assets related to the ConAgra Foods Whitehall, Pennsylvania, cheese facility. The plant, which employs approximately 100 people, specializes in the manufacture of mozzarella and provolone and annually produces about 30 million pounds of cheese are manufactured at this U.S. facility. The USA cheese division includes the specialty brands, Cayer and Stella. The company operates a total of 36 plants in Canada and 15 in the United States and employs 7,100. Saputo's grocery products division markets and distributes a broad selection of snack cakes under the Vachon brand name. Facilities include two plants in Canada and a direct-to-store delivery network.

**High Liner Foods Inc.**, of Lunenburg, Nova Scotia is one of North America's largest marketers of fresh seafood, prepared frozen seafood and frozen pasta products. Processed seafood is held in modern cold storage facilities, located in Lunenburg and Portsmouth, New Hampshire and is distributed throughout North America. Fisher Boy™ is the third largest fish stick brand in the United States, despite being distributed in only half of the U.S. market. High Liner Foods is the leader in private label seafood sales with over 65% of the U.S. market. The company's frozen pasta products are produced in a modern processing facility in Secaucus, New Jersey which manufactures frozen ravioli, cavetelli, gnocchi and other Italian style pasta products. Its Italian Village brand is the leader in three of the top seven frozen pasta markets in the United States and is number one in New York and Philadelphia, the two highest consumption markets for these types of products. The company's sales are roughly split evenly between Canada and the United States with additional product to Mexico.

**Cott** with corporate headquarters in Toronto, is the world's leading supplier of retailer brand carbonated soft drinks, and ranks in the top 200 of Canada's leading companies. The product line also includes clear, sparkling, flavored beverages, juices and juice-based products, bottled water and iced teas. Cott products are principally sold under customer controlled private labels, but also under our own control brands and licensed brand names. Cott operates six beverage production facilities in Canada and seven beverage production facilities in the United States, as well as a research facility in Columbus, Georgia where new beverages are developed and customized for its customers. Across the U.S., Cott employs almost 1,000 people, more than it does in Canada.

**Humpty Dumpty Snack Foods Inc.**, headquartered in Kitchener, Ontario is a leading North American marketer and distributor of high-quality salty snack food products, operating primarily in eastern regions of Canada and the United States. Originally operating as Small Fry Foods, the



company purchased the assets of the Humpty Dumpty Company in the United States in January 2000 and has a strong distribution network throughout the New England states. With production facilities in Ontario, Quebec, New Brunswick and Prince Edward Island, the company manufactures and distributes a full line of salty snack products under the North American Humpty Dumpty brand. It is also a value-added supplier of private label products to retailers in Canada and the United States.

### **THE CANADIAN WHEAT BOARD AND ITS ACCREDITED EXPORTERS:**

In any given year, the Canadian Wheat Board (CWB) markets over 20 million tons of grain to more than 70 countries. Total sales revenue for western Canadian wheat and barley reached C4.2 billion for the 2000/01 crop year.

While the majority of sales are direct, where the CWB negotiates directly with the buyer, there are also sales that are made using a CWB accredited exporter. Accredited exporters (AEs) are national and multinational companies authorized to purchase grain from the CWB for resale to customers and other exporters.

The CWB uses AEs in the following regions:

- Asia Pacific;
- Europe / Africa / Mid-East / Former Soviet Union;
- Latin America and the Caribbean;
- United States;

The CWB uses several major U.S. companies as accredited exporters, including ConAgra Ltd., Bunge, ADM Milling Company, and Cargill Ltd. that have operations in Canada and account for a significant share of CWB exports. In fact, ConAgra is the CWB's number one exporter of Canadian wheat.

Many AEs are tied into extensive sales networks in markets that compliment the CWB's sales efforts. With branch offices scattered around the globe, these companies can make direct contact with customers in markets the CWB would have to travel to, helping to reduce unnecessary expense.

By working with more than 20 AEs, the CWB can meet a variety of terms set by the customer. AEs also facilitate sales through freight sharing and acceptance of financial risk. In some cases, holds on a ship can be shared between board and non-board commodities. In addition, some buyers may present financial risk not acceptable to the CWB. AEs provide a valuable service by assuming this financial risk.

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